

Message Text

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PAGE 01 STATE 062243
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FM SECSTATE WASHDC
TO ALL AMERICAN REPUBLIC DIPLOMATIC POSTS
AMEMBASSY ABIDJAN
AMEMBASSY BANGKOK
AMCONSUL BELIZE
AMCONSUL CALI
AMCONSUL CAPE TOWN
AMCONSUL DURBAN
AMCONSUL GUAYAQUIL
AMEMBASSY KHARTOUM
AMEMBASSY LILONGWE
AMEMBASSY MAPUTO
AMEMBASSY NEW DELHI
AMCONSUL SAO PAULO
AMEMBASSY SEOUL
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AMEMBASSY TANANARIVE
AMEMBASSY VIENNA
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XMT AMEMBASSY BRASILIA
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AMEMBASSY GUATEMALA
AMEMBASSY KINGSTON
AMEMBASSY MEXICO
AMEMBASSY SAN JOSE
AMEMBASSY SAN SALVADOR
AMEMBASSY SANTO DOMINGO
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PAGE 02 STATE 062243

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FOL RPT LONDON 04600 ACTION SECSTATE INFO BONN BRUSSELS
COPENHAGEN DUBLIN LUXEMBOURG PARIS ROME THE HAGUE STOCKHOLM
EC BRUSSELS GENEVA OECD PARIS PRETORIA SAN JOSE CANBERRA

BRASILIA RIO DE JANEIRO OTTAWA BUENOS AIRES PORT LOUIS
GEORGETOWN MOSCOW GUATEMALA TOKYO SAN SALVADOR SUVA MANILA
PORT OF SPAIN KINGSTON MBABANE SANTO DOMINGO MEXICO MOSCOW
17 MAR 77 QUOTE

LIMITED OFFICIAL USE LONDON 04600

FOR: EB/TRP -- MR. PILKAUSKAS

E.O. 11652: N/A

TAGS: EPAP

SUBJECT: INFORMAL MEETING ON SUGAR

1. INTERNATIONAL SUGAR ORGANIZATION (ISO) EXECUTIVE
DIRECTOR, ERNEST JONES-PARRY, ON MARCH 16 INVITED A
SELECTED GROUP OF ISO MEMBERS FOR AN INFORMAL EXCHANGE
OF VIEWS WITH ASSISTANT SECRETARY OF STATE KATZ. TOPICS
DISCUSSED INCLUDED THE FORTHCOMING SUGAR NEGOTIATIONS AND
RECENT DEVELOPMENTS CONCERNING U.S. SUGAR POLICY. LONDON
REPS FROM ARGENTINA, AUSTRALIA, BRAZIL, CUBA, GUATEMALA,
MAURITIUS, TRINIDAD & TOBAGO, CANADA, JAPAN, PHILIPPINES,
USSR, SWEDEN, GDR AND USA ATTENDED.

2. MAJOR TOPICS DISCUSSED WERE:

A) ITC FINDINGS AND RECOMMENDATIONS. CONSIDERABLE
INTEREST WAS EXPRESSED IN THE ITC REPORT, WITH
PARTICULAR EMPHASIS ON PRESIDENTIAL POWERS IN LIGHT
OF ITC RECOMMENDATIONS AND THE RELATIONSHIP OF
DOMESTIC U.S. POLICY TO INTERNATIONAL SUGAR AGREEMENT
(ISA) MATTERS. KATZ EXPLAINED THE LEGAL STATUS OF
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PAGE 03 STATE 062243

THE ITC RECOMMENDATIONS, INCLUDING THE VARIOUS
OPTIONS AT THE PRESIDENT'S DISPOSAL. HE NOTED THAT
THE ITC'S RECOMMENDATIONS WOULD BE CONSIDERED IN
CONNECTION WITH A POSSIBLE INTERIM DOMESTIC PROGRAM
AND DO NOT NECESSARILY CONFLICT WITH A U.S. INTEREST
IN A NEW ISA.

B) U.S. INTEREST IN THE NEGOTIATIONS IN GENEVA BEGINNING
APRIL 18. KATZ STATED THAT THE U.S. HAD A SERIOUS
INTEREST IN THE GENEVA NEGOTIATIONS. HE EXPLAINED
THE RELATIONSHIP BETWEEN DOMESTIC SUGAR POLICY AND
INTERNATIONAL POLICY AND NOTED A CONSENSUS WITHIN THE
USG IN FAVOR OF AN EFFORT TO NEGOTIATE AN ACCEPTABLE
ISA. KATZ EMPHASIZED IN THIS CONNECTION THE KEY
IMPORTANCE OF CONSULTATIONS WITH CONGRESS BETWEEN
NOW AND APRIL IN DEVELOPING A U.S. NEGOTIATING
POSITION FOR GENEVA.

C) EFFECT OF COFFEE DEVELOPMENTS ON SUGAR NEGOTIATIONS.
EXPANDING ON THE IMPORTANCE OF CONSULTATION WITH

CONGRESS, KATZ POINTED OUT THAT HIGH COFFEE PRICES HAD HAD AN UNFAVORABLE IMPACT ON CONGRESS, LEADING MANY CONGRESSMEN TO QUESTION THE EFFICIENCY OF COMMODITY AGREEMENTS AS A DEVICE FOR PROTECTING THE CONSUMER. THE POSSIBILITY THAT THIS MIGHT COLOR CONGRESSIONAL VIEWS REGARDING THE SUGAR NEGOTIATIONS COULD NOT BE DISCOUNTED.

D) STATE OF U.S. THINKING ON A NEW ISA. KATZ SAID THAT WE HAVE NOT YET COMPLETED WORK ON OUR POSITION BUT OUR THINKING HAS TENDED ALONG LINES OF SEEKING AN AGREEMENT WHICH WOULD COMBINE STOCKS WITH QUOTA PROVISIONS. THE AGREEMENT SHOULD PROVIDE A FAIRLY BROAD PRICE RANGE, WITH A WIDE SPECTRUM FOR THE MARKET TO OPERATE FREELY. STOCKS COULD HELP TO DEFEND BOTH THE CEILING AND FLOOR. ASKED WHETHER US THINKING ENVISAGED SOME INTERNATIONAL FINANCING LIMITED OFFICIAL USE

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PAGE 04 STATE 062243

FORMULA FOR STOCK HOLDING, KATZ REPLIED THAT THIS WAS "A MATTER TO BE DISCUSSED".. KATZ EMPHASIZED THAT OUR THINKING WAS CONDITIONED BY 18 MONTHS OF DISCUSSION IN THE ISO AND THAT THE U.S. WAS UNLIKELY TO PRESENT A COMPLETE, RADICALLY DIFFERENT PACKAGE AT GENEVA. WE WOULD, OF COURSE, HAVE VIEWS ON THE KEY ISSUES BUT WE WERE NOT LIKELY TO PRESENT A "U.S. PLAN". THIS APPROACH WAS GREETED BY RELIEF AND APPRECIATION BY SEVERAL REPRESENTATIVES WHO FEARED THE U.S. MIGHT APPEAR WITH A RADICALLY NEW APPROACH.

E) PRICE LEVELS. KATZ DECLINED TO BE DRAWN OUT ON SPECIFIC PRICE LEVELS AND U.S. VIEWS OF THE SIZE OF PRICE RANGE. HE DID, HOWEVER, DISCUSS IN SOME DETAIL THE IMPACT OF HIGH FRUCTOSE CORN SWEETENERS (HFCS) ON THE MARKET AND THE FACT THAT PRICE RANGES HAD TO BE SET WITH SUBSTITUTION CONSIDERATIONS VERY MUCH IN MIND.

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